

Message Text

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PAGE 01 KINGST 04595 262243Z

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ACTION EB-03

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 6547

C O N F I D E N T I A L KINGSTON 4595

LIMDIS

C O R R E C T E D C O P Y (MRN 4595 VICE 4594)

E.O. 11652: GDS

TAGS: EMIN, EINV, XL, JM

SUBJECT: TRINIDAD ALUMINUM SMELTER PROJECT: JAMAICAN
PARTICIPATION

REF: (A) KINGSTON 4213; (B) PORT OF SPAIN 2912

(C) PORT OF SPAIN 2940 (D) STATE 274454

(E) GEORGETOWN 2230 (F) KINGSTON 4565

1. EMBASSY CONCURS IN OPINION OF EMBASSY GEORGETOWN (PARA 2 REF E) THAT TO RAISE QUESTION FEASIBILITY TRINIDAD SMELTER WITH HOST COUNTRY OFFICIALS COULD BE COUNTER-PRODUCTIVE. REC C CONFIRMED EMBASSY SUSPICION THAT GOJ ENTHUSIASM FOR TRINIDAD SMELTER PROJECT LESS THAN UNRESTRAINED. WHILE A PRECISE READING OF GOJ THINKING ON THE PROJECT PROBABLY WILL NOT BE OBTAINABLE UNTIL AFTER AN EVALUATION OF THE FEASIBILITY STUDY COMMISSIONED BY THE THREE PROSPECTIVE PARTNER GOVERNMENTS (REF C), IT IS SAFE TO SAY THAT THE PRIORITY GIVEN TO THE PROJECT BY THE GOJ HAS SLIPPED SINCE THE ANNOUNCED AGREEMENT WITH MEXICO (REF A) TO DEVELOP AN INTEGRATED ALUMINUM COMPLEX, AND THE GOJ'S AGREEMENTS WITH KAISER, AND REVERE (REF F) IN THE PAST MONTH.

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PAGE 02 KINGST 04595 262243Z

2. TRINIDAD SMELTER WILL HAVE TO COMPETE FOR INVESTMENT

FUNDS WITH ALL THREE FOREGOING AGREEMENTS WHICH CALL FOR LARGE CAPITAL EXPENDITURES BY GOJ. EXACERBATING COMPETITION FOR FUNDS IS FACT THAT SIZABLE AMOUNT OF BAUXITE LEVY FUNDS WHICH GOJ HAD HOPED TO SET ASIDE FOR CAPITAL DEVELOPMENT HAVE HAD TO BE DIVERTED TO FINANCE INCREASE IN GOJ'S RECURRENT EXPENDITURES DUE TO INFLATION. IF IT GETS DOWN TO CHOICE BETWEEN DOMESTIC INVESTMENT OR TRINIDAD SMELTER, EMBASSY HAS LITTLE DOUBT THAT INCREASED LOCAL PRODUCTION AND EMPLOYMENT WILL WIN OUT OVER REGIONAL COOPERATION. CAST IN TERMS OF TRINIDAD OR MEXICAN SMELTER, THE MEXICAN DEAL WOULD TAKE PRECEDENCE AS IT WILL RESULT IN A NEW JOINT MINING COMPANY, ALUMINA PLANT, AND POSSIBLE CAUSTIC SODA PLANT, ALL ESTABLISHED IN JAMAICA. IN ADDITIONAL, MANY JAMAICANS HOPE DEVELOPMENT ECONOMIC COOPERATION WITH MEXICO MAY ALSO RESULT IN MEXICAN COMMITMENT TO SUPPLY CRUDE OIL TO PLANNED LUANA REFINERY.

3. IN SHORT, EMBASSY CONSIDERS GOJ PARTICIPATION IN TRINIDAD SMELTER MUCH MORE DOUBTFUL THAN IT WAS SEVERAL MONTHS AGO. GIVEN THE SOMEWHAT NEBULOUS STATE OF PROJECT JAMAICA PROBABLY CAN STRETCH OUT ITS CONSIDERATION AND STUDY OF PROJECT AND THEREBY AVOID IMPRESSION IT IS BACKING OUT. IF GOJ WERE TO EVENTUALLY BACK OUT, EMBASSY CONFIDENT IT WOULD SUPPORT DECISION ON WELL DOCUMENTED ECONOMIC GROUNDS DESIGNED TO MITIGATE ANY POSSIBLE NEGATIVE IMPACT ON ITS RELATION WITH GOTT AND GOG.
GERARD

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